



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

Internal Audit Section
1520 Market St., Suite 3005
St. Louis, Missouri 63103-2630
(314) 657-3490
Fax: (314) 552-7670

October 30, 2014

Rhonda Hamm-Niebruegge, Director of Airports
Lambert-St. Louis International Airport
P.O. Box 10212
St. Louis, Mo. 63145

RE: Kwame/Green Joint Venture, PSA 1033 (Project #2014-APC01)

Dear Ms. Hamm-Niebruegge:

Enclosed is the Internal Audit Section Report on the review of contract with Kwame/Green Joint Venture for the construction supervision and material testing for reconstruction of Taxiway F and relocation and reconstruction of Taxiway D and Security Fencing. The period of examination was June 1, 2007 through December 31, 2013. A description of the scope of our work is included in the report.

This review was made under the authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with *the International Standards for the Professional Practice of Internal Auditing*.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490.

Sincerely,

Mohammad Adil CPA, CGMA
Internal Audit Supervisor

Ron Steinkamp, CPA, CIA, CFE, CRMA, CGMA
Internal Audit Advisor

Enclosure:

Cc: Richard T. Bradley, PE, President, Board of Public Service
Gerald Beckmann, Deputy Director Planning and Development, Lambert-St. Louis International Airport
Susan Kopinski, Deputy Director, Finance and Administration, Lambert-St. Louis International Airport
James Fox, CPA, Airport Audit Supervisor



CITY OF ST. LOUIS

LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT

CONTRACT REVIEW

KWAME/ GREEN JOINT VENTURE (PSA-1033)

JUNE 1, 2007 THROUGH DECEMBER 31, 2013

PROJECT #2013-APC01

DATE ISSUED: OCTOBER 30, 2014

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
CONTRACT REVIEW
KWAME/GREEN JOINT VENTURE (PSA-1033)
JUNE 1, 2007 THROUGH DECEMBER 31, 2013**

TABLE OF CONTENTS

SUMMARY	1
Background	1
Purpose.....	1
Scope and Methodology	1
Conclusion	1
Current Observations	1
Management Response	2
 DETAILED OBSERVATIONS AND RECOMMENDATIONS	 3

**CITY OF ST. LOUIS
LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
CONTRACT REVIEW
KWAME/GREEN JOINT VENTURE (PSA-1033)
JUNE 1, 2007 THROUGH DECEMBER 31, 2013**

SUMMARY

Background

A contract to provide the Airport with construction, supervision and material testing for reconstruction of Taxiways and Security Fencing at Lambert-St. Louis International Airport was awarded to Kwame/Green Joint Venture (the Consultants). The contract was awarded on March 13, 2007, and approved by the City through the Board of Public Service and Director of Airports. The total contract amount for the period of our review was \$4,869,530, including change orders of \$881,674.

Purpose

The purpose of Internal Audit's review was to determine if the Consultants and sub-consultants complied with the terms, conditions and various provisions of the contract.

Scope and Methodology

Inquiries were made and tests were performed regarding the Consultants and sub-consultants compliance with the contract. The scope of the review was from June 1, 2007 through December 31, 2013.

Conclusion

The Consultants and sub-consultants did not fully comply with the terms, conditions and various provisions of the contract

Current Observations

We noted the following observations and opportunities for improvement:

Consultants

1. Indirect cost overcharges – Questioned Costs of \$129,794

Sub-consultants

2. Labor cost overcharges by Geo-Technology – Questioned Costs of \$1,023
3. Indirect cost overcharges by Geo-Technology – Questioned Costs of \$2,457

CITY OF ST. LOUIS
LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
CONTRACT REVIEW
KWAME/GREEN JOINT VENTURE (PSA-1033)
JUNE 1, 2007 THROUGH DECEMBER 31, 2013

SUMMARY

Each of these observations is discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.

Management Response

An exit conference was held with the Airport on Thursday September 25, 2014. Consultant and Sub-Consultants were represented by their Managers. The Airport Planning and Development Office was represented by the Deputy Director and Airfield Engineering Supervisor. The Airport Finance and Accounting Section was represented by the Airport Auditor. The Internal Audit Section was represented by the Internal Audit Supervisor and Auditor-in-Charge. At the exit conference we discussed the report observations and recommendations. Management of the Airport and the Consultants provided a written response, which we received on October 9, 2014, and incorporated into this report.

CITY OF ST. LOUIS
LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
CONTRACT REVIEW
KWAME/GREEN JOINT VENTURE (PSA-1033)
JUNE 1, 2007 THROUGH DECEMBER 31, 2013

DETAILED OBSERVATIONS AND RECOMMENDATIONS

Consultants

1. Indirect Cost Overcharges - Questioned Costs of \$129,794

The Consultants' billed for Salary and Related Expenses (SRE) and General Administrative Overhead (G/A) using rates that were neither audited nor agreed to their accounting records. We recalculated these rates based on Consultants' accounting records for the period of the review and compared them to the Consultants' billed rates. The variances between the billed and the re-calculated SRE and G/A rates resulted in unsupported billings to the City of \$129,704 as follows:

A	B	C	D	E
Consultant	Indirect Cost Category	Amount Billed	Amount Based on Revised Rates	Unsupported Billings (C-D)
Kwame Building Group	SRE and G/A	\$1,211,708	\$1,084,005	\$127,703
HR Green Company	G/A	\$ 765,419	\$763,328	\$2,091
Total		\$1,977,127	\$1847,333	\$129,794

Rates for SRE and G/A reimbursements should be developed in compliance with Federal Aviation Regulation (FAR) Part 31.

Audit procedures performed to evaluate the Consultant's billed rates disclosed that their accounting systems were not adequately differentiating between direct and indirect costs when determining SRE and G/A rates.

Recommendation

We recommend that the City of St. Louis Board of Public Service pursue cost recovery of \$129,794 from Consultants for indirect costs billed in excess of actual costs.

Consultants Response

The Consultants concur with the observation.

**CITY OF ST. LOUIS
LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
CONTRACT REVIEW
KWAME/GREEN JOINT VENTURE (PSA-1033)
JUNE 1, 2007 THROUGH DECEMBER 31, 2013**

DETAILED OBSERVATIONS AND RECOMMENDATIONS

1. Continued...

Management Response

Airport Finance and Accounting concurs with the observation. Consultants have been informed to make their checks payable to the City of St. Louis and remit to the Airport Auditor at Lambert-St. Louis International Airport.

Sub-Consultants

2. Labor Cost Overcharges by Geo-Technology - Questioned Costs of \$1,023

Geo-Technology, Inc. incorrectly billed the City for SRE for contract labor (personnel from an employment agency) in the amount of \$1,023. The contract labor was paid an hourly rate and Geo-Technology, Inc. did not incur any SRE for this individual.

A review of randomly selected invoices determined that \$1,023 was overbilled for SRE for work performed on PSA-1033.

According to Article X, Fees and Payments, of the contract the payments under the provisions of this contract is limited to the costs incurred in accordance with generally accepted accounting principles.

Geo-Technology, Inc. did not appear to have a system of internal control to ensure compliance with the Article X, Fees and Payments, provisions of the contract.

Recommendation

It is recommended the City of St. Louis Board of Public Service pursue cost recovery of \$1,023 for the labor costs billed in excess of actual costs incurred by Geo-Technology Inc.

Sub-consultant Response

The Airport received a verbal confirmation from Geo-Technology, Inc. on October 27, 2014, that it concurs with the observation; however, as of the date of the report we have not received a formal written response.

**CITY OF ST. LOUIS
LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
CONTRACT REVIEW
KWAME/GREEN JOINT VENTURE (PSA-1033)
JUNE 1, 2007 THROUGH DECEMBER 31, 2013**

DETAILED OBSERVATIONS AND RECOMMENDATIONS

2. Continued...

Management Response

Airport Finance and Accounting concurs with the observation. Geo-Technology, Inc. has been informed to make its checks payable to the City of St. Louis and remit to the Airport Auditor at Lambert-St. Louis International Airport.

3. Indirect Cost Overcharges by Geo-Technology - Questioned Costs of \$2,457

The Geo-Technology, Inc. billed SRE and G/A for the review period using rates that were neither audited nor agreed to its accounting records. We re-calculated the G/A rates based on the Geo-Technology Inc.'s accounting records for the same period and compared them to its billed rates. The variances between the billed and the recalculated rates resulted in unsupported billings to the City for G/A of \$2,457 as follows:

A	B	C	D	E
Sub-Consultant	Indirect Cost Category	Amount Billed	Amount Based on Recalculated Rates	Unsupported Billings (C-D)
Geo-Technology, Inc.	G/A	\$92,427	\$89,970	\$2,457

Rates for indirect reimbursement should be developed in compliance with Federal Aviation Regulation (FAR) Part 31.

Audit procedures performed to evaluate the sub-consultant's accounting system indicated that its accounting system was not adequately differentiating between direct and indirect costs when determining the rates.

Recommendation

We recommended the City of St. Louis Board of Public Service pursue cost recovery of \$2,457 for indirect costs billed in excess of actual costs.

**CITY OF ST. LOUIS
LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
CONTRACT REVIEW
KWAME/GREEN JOINT VENTURE (PSA-1033)
JUNE 1, 2007 THROUGH DECEMBER 31, 2013**

DETAILED OBSERVATIONS AND RECOMMENDATIONS

3. Continued...

Sub-consultant Response

The Airport received a verbal confirmation from Geo-Technology, Inc. On October 27, 2014, that it concurs with the observation; however, as of the date of the report we have not received a formal written response.

Management Response

Airport Finance and Accounting concurs with the observation. Geo-Technology, Inc. has been informed to make its checks payable to the City of St. Louis and remit to the Airport Auditor at Lambert-St. Louis International Airport.